

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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May 28, 2008

Mr. Tim Beals, Director of Transportation  
Sierra County Department of Transportation  
P.O. Box 98  
Downieville, CA 95936

Re: Sierra County Department of Transportation  
Audit of Indirect Cost Rate Proposal for Fiscal Year 2008  
File No: P1190-0688

Dear Mr. Beals:

We have audited the Sierra County Department of Transportation's (County) Indirect Cost Rate Proposal (ICRP) for the fiscal year ended June 30, 2008 to determine whether the ICRP was presented in accordance with Office of Management and Budget (OMB) Circular A-87 and the Department of Transportation's (Department) Local Programs Procedures (LPP) 04-10. The County management is responsible for the fair presentation of the ICRP. The County proposed an indirect cost rate of 24.86% of total direct salaries and wages plus fringe benefits for fiscal year ending June 30, 2008.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the County. Therefore, we did not audit and are not expressing an opinion on the County's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICRP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the County, as well as evaluating the overall presentation.

The accompanying ICRP was prepared on a basis of accounting practices prescribed in the OMB Circular A-87 and the Department's LPP 04-10, and is not intended to present the

results of operations of the County in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICRP, a review of the County's single audit report for the fiscal year ended June 30, 2007, inquiries of the County's personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2007 and prior audit work completed on August 2002. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

## **AUDIT RESULTS**

Based on audit work performed, the County's ICRP for the fiscal year ended June 30, 2008 is presented in accordance with OMB Circular A-87 and LPP 04-10. The approved indirect cost rate is 24.86% of total direct salaries and wages, plus fringe benefits. The approval for fiscal year ended June 30, 2008 is based on the understanding that a carry-forward provision applies and no adjustment will be made to previously approved rates.

The results of this audit were communicated to Van Maddox, Sierra County Auditor, on May 14, 2008. This report is intended solely for the information of Sierra County, the California Transportation Commission, Department Management and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Please retain the approved Indirect Cost Rate Proposal for your files. Copies were sent to the Department's District 3, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Deborah Gip at (916) 323-7916 or Zilan Chen, Audit Supervisor, at (916) 323-7877.



MARYANN CAMPBELL-SMITH  
Chief External Audits

### **Attachments**

c: Brenda Bryant, FHWA  
Sue Kiser, FHWA  
Van Maddox, County of Sierra  
Gary Buckhammer, HQ Accounting  
DLAE, District 3  
P1190-0688

# SIERRA COUNTY

County Auditor  
P.O. Box 425  
Downieville, California 95936  
530-289-3273



## Sierra County Transportation Department Indirect Cost Plan

Van A. Maddox  
Auditor/Risk Manager

Mark W. Stevenson  
Senior Auditor/Controller

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Department), subject to the conditions in Section II. This plan was prepared by the County and approved by the Department.

### SECTION 1: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry forward	7/01/07 to 6/30/08	24.86	All Programs

\* Base: Total Direct Salaries and Wages plus fringe benefits

### SECTION II: General Provisions

#### **A. Limitations:**

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted; such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or the Department. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or the Department; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and, (6) This rate is based on an estimate of the costs to be incurred during the period.

#### **B. Accounting Changes:**

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

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**C. Fixed Rate with Carry Forward:**

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined—either by the grantee’s Single Audit or if a Single Audit is not required, then by the grantee’s audited financial statements—any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

**D. Audit Adjustments:**

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

**E. Use by Other Federal Agencies:**

Authority to approve this agreement by the Department has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by the Department in State-only funded projects.

**F. Other:**

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

**G. Rate of Calculation:**

FY 2008 Estimated Indirect Costs	\$604,372
Carry Forward from FY 2006	\$(23,810)
Estimated FY 2008 Indirect Costs	\$580,562
FY 2008 Estimated Direct Salaries and Wages plus Fringe Benefits	\$2,335,150
FY 2008 Indirect Cost Rate	24.86%

**CERTIFICATION OF INDIRECT COSTS**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

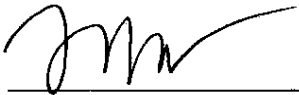
- (1) All costs included in this proposal to establish billing or final indirect cost rates for fiscal year 2008 (July 1, 2007 to June 30, 2008) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, “Cost Principles for

State, Local and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

- (2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and the Department will be notified of any accounting changes that would affect the fixed rate.

I declare that the foregoing is true and correct.

Governmental Unit: Sierra County

Signature: 

Signature: 

Reviewed, Approved and Submitted by:

Prepared by:

Name of Official: Tim Beals

Name of Official: Van Maddox

Title: Transportation Director

Title: Sierra County Auditor


Date of Execution: 4/17/08

Telephone No.: 530-289-3273

#### INDIRECT COST RATE APPROVAL

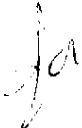
The Department has reviewed this indirect cost plan and hereby approves the plan.

  
Signature

  
Signature

Reviewed and Approved by:

Reviewed and Approved by:

 Marydon Campbell Smith  
Name of Audit Manager

Deborah Gyp  
Name of Auditor

Title: Chief External Auditor

Title: Auditor

Date: 5/21/08

Date: 5/20/08

Phone Number: 916 323 7105

Phone Number: (916) 323-7916

STIP  
FY2007 08

INDIRECT COSTS BUDGETED	1	604,372
ROLL FORWARD FROM 2005/6	2	<u>(23,810)</u>
ESTIMATED FY 2007/08 INDERECT COST		<u>580,562</u>
BUDGETED DIRECT SALARIES & BENEFITS	3	<u>2,335,150</u>
FY 2007/08 INDERECT COST RATE		<u>24.86%</u>

CARRY FORWARD FROM 05/06

2

FY2007 08

FY 2005/06

TOTAL INDIRECT COST 05/06	500,048
CARRY-FORWARD from 2003/04	<u>(59,722)</u>
	440,326
RECOVERED COSTS	
DIRECT SALARIES 05/06	1,653,495
RATE 05/06	28.07%
TOTAL RECOVERED INDIRECT COST	464,136
INDIRECT CARRY FORWARD	(23,810)

FY 2007/08 INDIRECT COST RATE

RATE CHARGE SHEET  
FY2007 08

	HR RATE	OVERHEAD RATE	COMBINED HOURLY RATE
DIRECTOR OF PUBLIC WORKS / TRANSPORTATION	115.57	24.86% 28.73	144.31
TRANSPORTATION PLANER	49.61	12.33	61.94
PUBLIC WORKS SUPERINTENDENT	65.47	16.28	81.75
ROAD WORKER III	40.19	9.99	50.19
CHIEF ACCT TECH	37.60	9.35	46.95
SECRETARY	26.36	6.55	32.92

FY 2007/08 INDIRECT COST RATE



STIP  
FY2007 08

	Hr. Rate	Yr. Wage	Benfits Yr	vac	sic	Holidays	Pro Hrs	W/C Ins
DIRECTOR OF PUBLIC WORKS / TRANSPORTATION	115.57	135,628.40	58,536.98		200	96	104	1680 15,054.75
TRANSPORTATION PLANER	49.61	53,387.93	29,955.68		200	96	104	1680 5,926.06
PUBLIC WORKS SUPERINTENDENT	65.47	73,180.68	36,812.37		200	96	104	1680 8,123.06
ROAD WORKER III	40.19	41,640.49	25,886.08		200	96	104	1680 4,622.09
CHIEF ACCT TECH	37.60	41,758.42	25,926.94		80	96	104	1800 4,635.18
Secretary	26.36	26,731.21	20,721.14		80	96	104	1800 2,967.16

FY 2007/08 INDERECT COST RATE

STATE CONTROLLER  
COUNTY BUDGET ACT

BUDGET UNIT DETAIL

SCHEDULE 9

COUNTY OF SIERRA  
STATE OF CALIFORNIA  
FISCAL YEAR 2007-08

Budget Name ROAD  
Function Public Ways & Facilities  
Activity Transportation  
Fund 031 Road

FINANCING USES CLASSIFICATION (1)	2004-05 ACTUAL (2)	2005-06 ACTUAL (3)	2006-07 ACTUAL (4)	2007-08 PRELIMINARY (5)	2007-08 FINAL (6)
<b>Salaries &amp; Employee Benefits</b>					
5000 Regular Salaries	814,743	891,731	1,030,975	1,377,882	1,377,882
5001 Extra Help	8,752	6,911	24,860	6,540	6,540
5002 Overtime	16,206	41,156	26,846	25,750	25,750
5007 Benefits	749,746	713,696	732,795	945,912	924,977
<b>Total Salaries &amp; Benefits</b>	<b>1,589,447</b>	<b>1,653,494</b>	<b>1,815,476</b>	<b>2,356,084</b>	<b>2,335,150</b>
<b>Services &amp; Supplies</b>					
5105 Clothing	2,738	5,639	5,203		
5106 Insurance	73,896	36,656	37,597	45,544	45,552
5120 Communications	5,410	3,631	6,753		
5130 Household Expenses	16,075	9,041	15,960		
5139 Maintenance Fuel	114,935	131,057	156,655		
5141 Maintenance Vehicles	203				
5143 Maintenance Parts	117,789	143,862	141,643		
5140 Maintenance Equipment	4,236	9,137	3,224		
5150 Memberships	750	750	750		
5155 Miscellaneous	1,377	1,463	3,385		
5160 Office Expense	10,345	15,587	24,390		
5165 Professional & Specialized	7,528	18,100	17,197	451,431	452,358
5166 A-87 COSTS	112,106	97,296	133,520	106,462	106,462
5174 Publications & Legal Notices	1,502	392	90		
5185 Small Tools	7,599	8,618	10,412		
5191 Transportation & Travel	2,244	2,580	4,678		
5195 Utilities	13,477	13,593	15,554		
<b>Total Services &amp; Supplies</b>	<b>492,210</b>	<b>501,442</b>	<b>577,011</b>	<b>603,437</b>	<b>604,372</b>
<b>OTHER</b>					
6070 Professional & Specialized	106,332	40,459	97,418	160,000	260,000
6071 Special Dept Expense	37,291	85,548	153,827	60,000	160,000
6072 Rent Equipment	177,634	176,373	247,331	350,000	450,000
<b>Total Other</b>	<b>323,257</b>	<b>302,390</b>	<b>498,576</b>	<b>570,000</b>	<b>870,000</b>
<b>Fixed Assets</b>					
6028 Equipment			3,203	220,000	220,000
6028 Land					
6029 Vehicles		66,982	77,742		
7600 Capital Imp Fund Transfer					20,000
<b>Total Fixed Assets</b>	<b>0</b>	<b>66,982</b>	<b>80,945</b>	<b>220,000</b>	<b>240,000</b>
<b>BUDGET UNIT TOTAL</b>	<b>2,404,914</b>	<b>2,524,268</b>	<b>2,972,008</b>	<b>3,749,521</b>	<b>4,049,521</b>
	<b>* Road Building</b>				
Number of Personnel Budgeted	23.3	23.3	23.3	25.3	25.3

See  
Other  
Schedule

# Sierra County Carry-forward computation

Fiscal Year	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Approved fixed rate	45.77%	43.25%	34.09%	38.82%	37.69%	28.07%	33.14%
Costs used in ICAP calculation							
Base: Direct costs	1,298,764	1,422,652	1,738,722	1,765,756	1,847,482	1,746,779	1,939,989
Indirect costs	594,384	615,316	592,782	685,420	501,348	550,000	554,720
Carry forward	0	0	0	0	195,005	(59,722)	88,152
Adjusted indirect costs	594,384	615,316	592,782	685,420	696,353	490,278	642,872
Actual costs							
Base: Direct costs	1,298,764	1,422,652	1,532,218	1,560,031	1,589,447	1,653,494	1,815,475
Indirect costs	594,384	615,316	717,338	545,882	492,210	501,402	596,077
Carry-forward	0	0	0	0	195,005	(59,722)	88,152
adjusted Indirect costs	594,384	615,316	717,338	545,882	687,215	441,680	684,229
Carry-forward Computation							
Actual recovery							
Fixed rate x actual base	594,384	615,316	522,333	605,604	599,063	464,136	601,648
45.77% x 1,298,764 =							601,648
43.25% x 1,422,652 =							684,229
34.09% x 1,532,218 =							82,581
38.82% x 1,560,031 =							
37.69% x 1,589,447 =							
28.07% x 1,653,494 =							
33.14% x 1,815,475 =							
should have recovered	594,384	615,316	717,338	545,882	687,215	441,680	601,648
(over) under-recovered	0	0	195,005	(59,722)	88,152	(22,456)	82,581